

NORTH MELBOURNE FOOTBALL CLUB LIMITED
ACN 006 468 962
AND IT'S CONTROLLED ENTITY

FINANCIAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2007

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DIRECTORS' REPORT

The directors present their report on the company and its controlled entity for the financial year ended 31 October 2007.

Directors

The names, details and attendance at directors meetings of the directors in office at any time during, or since the end of, the year are set out below:

Graham Duff AM - Chairman (resigned 31 October 2007)

Held ex officio position on all Board sub-committees

Chairman Racing Victoria Ltd & Director Mark Sensing Ltd

Directors meetings attended - 14 (14)

Dr Allen Aylett OBE (resigned 28 February 2007)

Member of the Football sub-committee (resigned 28 February 2007)

Former player and Chairman of North Melbourne Football Club Ltd 1971-1977 & 2002-2006

President Victorian Football League 1977 - 1985

Dentist

Directors meetings attended - 4 (4)

James Brayshaw (appointed 28 February 2007)

Appointed as Chairman of North Melbourne Football Club Ltd 6 December 2007

Co-host of The Footy Show - Channel 9 & Football Commentator - Triple M

Directors meetings attended - 8 (10)

Mark Brayshaw (appointed 28 February 2007)

Member of the Football sub-committee

Former player

CEO - Club Links Pty Ltd & PGA Links Management Pty Ltd

Directors meetings attended - 8 (10)

Andrew Carter (appointed 22 February 1995)

Former Chairman of North Melbourne Football Club Ltd 2001

Member of the Finance, Audit & Risk Management sub-committee

Directors meetings attended - 13 (14)

Peter de Rauch (resigned 28 February 2007)

Member of the Football sub-committee (resigned 28 February 2007)

Managing Director - Eagle Lighting Group

Directors meetings attended - 4 (4)

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DIRECTORS' REPORT

Stephen Head (appointed 28 February 2007)

Chairman Arden Street Redevelopment sub-committee

Managing Director - Links Living Ltd

Director Sandhurst Club Ltd & Chairman Sanctuary Lakes Ltd

Directors meetings attended - 10 (10)

Fulvio Inserra (appointed 28 February 2007)

Director - The Mastermind Group

Directors meetings attended - 10 (10)

Ron Joseph (appointed 28 February 2007)

Member of the Football sub-committee

Former CEO - North Melbourne Football Club

Directors meetings attended - 10 (10)

John Magowan (appointed 21 August 2000)

Acting Chairman North Melbourne Football Club Ltd for the period 1 November 2007 to 6 December 2007

Chairman of the Finance, Audit & Risk Management sub-committee

MM & E Capital Pty Ltd

Directors meetings attended - 12 (14)

John Nicholson (resigned 28 February 2007)

Retired

Directors meetings attended - 4 (4)

Michael O'Brien (appointed 28 February 2007)

Marketing Director - Cater Care Australia Pty Ltd

Directors meetings attended - 5 (10)

Maurice Reilly (resigned 28 February 2007)

Chief Executive - National Press Club of Australia

Directors meetings attended - 3 (4)

Robert Smith (resigned 28 February 2007)

Former player

Company Managing Director

Directors meetings attended - 0 (4)

Direct meetings attended - Greg Kennedy (Alternate Director) 2 - (3)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Meetings of Directors - During the financial year 14 meetings of directors were held. The number of meetings each director was eligible to attend is shown above in brackets.

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DIRECTORS' REPORT

Company Secretary

Rob Ewart held the position of Company Secretary (appointed 24 June 2005) at the end of the financial year.

Qualifications: A.C.I.S., C.P.A.

Experience: Chief Financial Officer of North Melbourne Football Club Ltd, previously 2 years as Chief Operating Officer of Melbourne Football Club Ltd and 6 years as Chief Financial Officer of Hawthorn Football Club Ltd.

Principal activity

The principal activities of the consolidated group during the financial year was to promote the playing of Australian Rules Football in general and in particular, to promote the same by maintaining, providing, supporting and controlling a team of footballers bearing the name of the Kangaroos.

No significant change in the nature of these activities occurred during the year.

Operating results

The consolidated profit of the consolidated group for the financial year was \$131,833 (2006: loss \$280,398).

Review of Operations

The Club's on-field success, coupled with the first year of playing 3 'home' games on the Gold Coast (\$400,000 gross return per game), contributed strongly to the consolidated group recording a profit for the year of \$131,833.

The team surpassed all expectations in 2007 playing off in a Preliminary Final and finishing in 3rd place for the season. The team's strong on-field performance and record-breaking achievements of club legend Glenn Archer culminated to deliver increased match receipts and attendance at club functions. The preliminary final appearance, with associated prize money and sponsorship incentives, further contributed to the club's profitable year.

While membership fell for the first time in five years, it, along with sponsorship and the grand final week activities were key contributors to the club's total revenue of \$22 million.

The 30% increase in the AFL club distribution, as a result of the re-negotiated broadcast rights, was primarily offset by an increase in total player payments of \$815,700.

Significant changes in the state of affairs

The Australian Taxation Office has agreed to a restructure of the company in accordance with an amended constitution. The amended constitution was approved by the members at the 2006 AGM held on 28 February 2007 and the winding up of the controlled entity, North Melbourne Kangaroos Limited. The amended constitution enabled the following important changes to occur:

1. Exemption for the company from paying income and other taxes.
2. No Shareholder is entitled to a dividend payment.
3. Shareholders are only entitled to a return of all or part of their capital when the club is financially able to do so or upon winding up of the Company.
4. Members are entitled to vote on all matters put before general meetings of members, except that two thirds of the board is to be elected by Shareholders only and Shareholders may only vote for the remaining third of the board of directors if they are also a financial ordinary member, life member or patron.

No other significant changes in the state of affairs of the company occurred during the financial year.

Likely developments

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

North Melbourne Football Club Limited

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DIRECTORS' REPORT

Events subsequent to balance date

The company confirmed its intention to remain a Melbourne-based club, rejecting the AFL's proposal to relocate to the Gold Coast.

James Brayshaw was appointed Chairman on 6 December 2007 and has announced new directors who will be appointed to the board of directors.

Chief Executive Officer Rick Aylett resigned on 11 December 2007. In the interim, Aylett will remain with the club during a transitional period of recruitment and appointment of a new CEO.

Dividends

No dividends were paid during the year. The directors do not recommend the payment of a dividend in respect of the year ended 31 October 2007.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental regulations

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnifying officers or auditor

The company has paid an insurance premium of \$6,050 in respect of directors and officers' liability insurance, as allowed under the Corporations Act 2001. The policies do not specify the premium for individual Directors and Officers. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company.

The company has not, during or since the financial year, in respect of any person who is or has been a director, officer or auditor of the company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as a director or officer, including costs and expenses in successfully defending legal proceedings.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

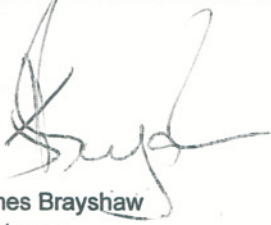
The company was not a party to any such proceedings during the year.

North Melbourne Football Club Limited
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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the Board of Directors:



James Brayshaw
Chairman



John Magowan
Director

Dated this 21st day of December 2007


Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

To the Directors of North Melbourne Football Club Limited:

I declare that, to the best of my knowledge and belief, during the year ended 31 October 2007 there have been:

- ☐ no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and
- ☐ no contraventions of any applicable code of professional conduct in relation to the audit.


William Buck
Chartered Accountants


Brad Taylor
Partner

Dated this 21st day of December 2007.

Melbourne, Australia.

North Melbourne Football Club Limited
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INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	22,016,077	20,559,997	22,016,077	20,542,997
Expenses					
Football operations		(11,968,148)	(10,886,158)	(5,700,593)	(1,731,053)
Marketing, fund-raising and events		(4,398,540)	(5,253,593)	(3,709,308)	(4,211,623)
Merchandise		(808,500)	(380,126)	(759,723)	(291,873)
Membership and match-day		(2,356,367)	(2,064,801)	(2,281,597)	(1,842,817)
Management fees		-	-	(7,361,754)	(11,293,477)
Administration and property expenses		(2,202,689)	(2,105,717)	(1,921,269)	(1,302,552)
Surplus / (loss) before North Melbourne Football Club Social Club Limited Provisions		281,833	(130,398)	281,833	(130,398)
Provision for loan undertaken by North Melbourne Football Club Social Club Limited but guaranteed by North Melbourne Football Club Limited		(150,000)	(150,000)	(150,000)	(150,000)
Profit / (loss) before income tax		131,833	(280,398)	131,833	(280,398)
Income tax		-	-	-	-
Net profit / (loss) attributable to members of North Melbourne Football Club Limited		131,833	(280,398)	131,833	(280,398)

The accompanying notes form part of these financial statements.

North Melbourne Football Club Limited

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BALANCE SHEET AS AT 31 OCTOBER 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	736,863	290,908	727,412	279,178
Trade and other receivables	8	1,138,350	813,499	1,147,801	801,630
Inventories	9	116,896	377,375	116,896	377,375
Other current assets	10	740,292	757,291	740,292	343,023
TOTAL CURRENT ASSETS		2,732,401	2,239,073	2,732,401	1,801,206
NON-CURRENT ASSETS					
Financial assets	13	62,500	62,500	62,500	62,500
Property, plant and equipment	14	446,739	426,803	446,739	426,803
TOTAL NON-CURRENT ASSETS		509,239	489,303	509,239	489,303
TOTAL ASSETS		3,241,640	2,728,376	3,241,640	2,290,509
CURRENT LIABILITIES					
Trade and other payables	15	2,353,423	1,881,365	2,353,423	1,767,526
Short-term borrowings	16	4,337,643	4,218,400	4,337,643	4,218,400
Provisions	17	294,715	248,192	294,715	-
Other current liabilities	18	187,509	339,918	187,509	284,413
TOTAL CURRENT LIABILITIES		7,173,290	6,687,875	7,173,290	6,270,339
NON-CURRENT LIABILITIES					
Long-term borrowings	16	-	255,661	-	255,661
Provisions	17	797,008	645,331	797,008	625,000
TOTAL NON-CURRENT LIABILITIES		797,008	900,992	797,008	880,661
TOTAL LIABILITIES		7,970,298	7,588,867	7,970,298	7,151,000
DEFICIENCY OF NET ASSETS		(4,728,658)	(4,860,491)	(4,728,658)	(4,860,491)
EQUITY					
Issued capital	19	3,629,350	3,629,350	3,629,350	3,629,350
Accumulated losses		(8,358,008)	(8,489,841)	(8,358,008)	(8,489,841)
DEFICIENCY OF EQUITY		(4,728,658)	(4,860,491)	(4,728,658)	(4,860,491)

The accompanying notes form part of these financial statements.

North Melbourne Football Club Limited

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 OCTOBER 2007

	Ordinary share capital	(Accumulated losses)	Total
	\$	\$	\$
Consolidated Group			
Balance at 1 November 2005	3,629,350	(8,209,443)	(4,580,093)
Profit/ (loss) attributable to members of the parent entity	-	(280,398)	(280,398)
Balance at 31 October 2006	3,629,350	(8,489,841)	(4,860,491)
Profit attributable to members of the parent entity	-	131,833	131,833
Balance at 31 October 2007	3,629,350	(8,358,008)	(4,728,658)
Parent Entity			
Balance at 1 November 2005	3,629,350	(8,209,443)	(4,580,093)
Profit/ (loss) attributable to members of the parent entity	-	(280,398)	(280,398)
Balance at 31 October 2006	3,629,350	(8,489,841)	(4,860,491)
Profit attributable to members of the parent entity	-	131,833	131,833
Balance at 31 October 2007	3,629,350	(8,358,008)	(4,728,658)

The accompanying notes form part of these financial statements.

North Melbourne Football Club Limited

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CASH FLOW STATEMENT FOR YEAR ENDED 31 OCTOBER 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		21,678,238	23,015,869	21,678,238	22,923,857
Payments to suppliers and employees		(20,894,851)	(24,678,062)	(20,065,010)	(23,904,556)
Interest received		51,704	26,990	51,704	26,990
Interest and other finance costs paid		(93,660)	(176,021)	(93,660)	(175,972)
Net cash provided by / (used in) operating activities	23	741,431	(1,811,224)	1,571,272	(1,129,681)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(159,059)	(181,743)	(159,059)	(181,743)
Net cash provided by / (used in) investing activities		(159,059)	(181,743)	(159,059)	(181,743)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	3,350,000	-	3,350,000
Repayment of borrowings		(216,984)	(1,913,650)	(216,984)	(1,913,650)
Net repayments from / (advances to) controlled entity		-	-	(827,561)	(683,272)
Net repayments from / (advances to) associated entity		-	44,113	-	44,113
Net cash provided by / (used in) financing activities		(216,984)	1,480,463	(1,044,545)	797,191
Net increase / (decrease) in cash held		365,388	(512,504)	367,668	(514,233)
Cash at beginning of year		290,908	803,412	279,178	793,411
Cash at end of year	7	656,296	290,908	646,846	279,178

The accompanying notes form part of these financial statements.

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of North Melbourne Football Club Limited as an individual parent entity and North Melbourne Football Club Limited and the controlled entity as a consolidated group. North Melbourne Football Club Limited is a public company, incorporated and domiciled in Australia.

The financial report of North Melbourne Football Club Limited and the controlled entity and North Melbourne Football Club Limited as an individual parent entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity that North Melbourne Football Club Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

A list of controlled entity is contained in Note 11 to the financial statements. All controlled entity have an October financial year end.

All inter-company balances and transactions between entity in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entity have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

b. Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The controlled entity North Melbourne Kangaroos Limited is exempt from income tax under Section 50-45 of the Income Tax Assessment Act 1997.

c. **Going Concern basis for accounting**

The consolidated group has a deficiency of net assets. Notwithstanding this fact, the financial statements have been prepared on the basis that the North Melbourne Football Club Limited and its controlled entity are a going concern. The appropriateness of adopting this basis is dependent on the consolidated group being able to generate sufficient funds through annual distributions and agreements with the Australian Football League, members, sponsors and other sources to meet its debts as and when they become due and payable and to continue to fund its ongoing operations. Should the consolidated group not be able to continue as a going concern, it is unlikely that the assets held would realise their current recorded values.

Based on the current years profit and profit initiatives planned for the future, the Directors are confident that these strategies will be successful in allowing the economic entity to continue to pay its debts as and when they fall due.

d. **Inventories**

Inventories comprise of club merchandise and memorabilia. Inventories are measured at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using average cost.

e. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

e. **Plant and equipment (cont.)**

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	5 - 10%
Plant and equipment	5 – 33%
Leased plant and equipment	15 - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

f. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entity in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

g. **Financial Instruments**

Recognition

Financial instruments are initially to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139:

Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

g. **Financial Instruments (cont.)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

h. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i. **Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates.

j. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long Service Leave – Players under contract

As a result of a federally certified long service leave agreement between the players and the Australia Football League, the North Melbourne Football Club has no obligation for long service leave to players.

k. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. Revenue

Sales revenue comprises revenue earned from the sales of memberships, corporate marketing, sponsorships, the sale of merchandise, gate receipts and AFL distribution. Sales revenue is recognised in the relevant football year.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

o. Financial Guarantees

Financial guarantee contracts are measured at their fair values initially and subsequently measured at the higher of:

- the amount of obligation under the contract, as determined in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets; and
- the amount recognised initially less cumulative amortisation recognised in accordance with revenue recognition policies.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

r. **Accounting Standards and Interpretations issued but not yet effective and not yet adopted**

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 31 October 2007. They may impact the consolidated group in the period of initial application. They are available for early adoption, but have not been applied in preparing this financial report:

AASB 7: Financial Instruments: Disclosures (August 2005)

AASB 7 replaces the disclosure requirements of financial instruments in AASB 132: Financial Instruments: Disclosure and Presentation and is applicable to annual reporting periods commencing on or after 1 January 2007. Application will not affect any of the amounts recognised in the financial report, but will require additional disclosures in relation to financial instruments.

AASB 2005-10: Amendments to Australian Accounting Standards (September 2005)

AASB 2005-10 makes consequential amendments to AASB 132 and nine other standards arising from the release of AASB 7 and is applicable to annual reporting periods commencing on or after 1 January 2007. Application will not affect any of the amounts recognised in the financial report, but may affect some disclosures.

AASB 101: Presentation of Financial Statements (October 2006)

The revised version of AASB 101 results from an AASB decision that, in principle, all options that currently exist under IFRS should be included in AIFRS and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. It is applicable for annual reporting periods commencing on or after 1 January 2007. Application is not expected to affect any of the amounts recognised in the financial report.

AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (April 2007)

AASB 2007-4 makes amendments to 34 standards as a result of a AASB decision that, in principle, all options that currently exist under IFRS should be included in AIFRS and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. It is applicable to annual reporting periods commencing on or after 1 July 2007. Application is not expected to affect any of the amounts recognised in the financial report.

AASB 8: Operating Segments (February 2007) and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 (February 2007)

AASB 8 replaces the disclosure requirements of segment reporting in AASB 114: Segment Reporting. AASB 2007-3 makes consequential amendments to 10 other standards as a result of the adoption of AASB 8. These standards are applicable to annual reporting periods commencing on or after 1 January 2009. Application will not affect any of the amounts recognised in the financial report, but will require disclosures in relation to operating segments instead of business and geographical segments.

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTE 2: REVENUE

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating activities				
AFL – Annual distributions and prize money	6,618,256	5,009,110	6,618,256	5,009,110
AFL – Waverley Park proceeds	250,000	300,000	250,000	300,000
AFL – Annual special distribution	1,400,000	1,400,000	1,400,000	1,400,000
AFL – Other Revenue	200,000			
		-	200,000	-
Membership and match day income	6,072,805	4,999,813	6,072,805	4,999,813
Marketing, fund-raising and merchandise income	7,333,123	8,808,093	7,333,118	8,791,093
Management Fee charged to North Melbourne Football Club Social Club	50,000	-	50,000	-
Trust distributions from Kanga Travel	40,189	14,427	40,189	14,427
Sundry Income	-	1,564	-	1,564
Interest revenue from:				
— other persons	51,704	26,990	51,704	26,990
Total Revenue	22,016,077	20,559,997	22,016,077	20,542,997

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 3: PROFIT / (LOSS) FROM ORDINARY ACTIVITIES

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
a. Expenses				
Cost of goods sold	546,874	183,421	546,874	183,421
Employee benefits expense:				
— Salary, wages and termination expense	11,004,764	10,304,937	4,037,169	-
— Provision for employee entitlements	260,724	(83,811)	364,580	-
Total employee benefits expense	11,265,488	10,221,126	4,401,749	-
Plant and equipment written off	-	38,920	-	38,920
Borrowing costs – bank loans	93,660	176,021	93,660	175,972
Depreciation of non-current assets				
— Plant and equipment	113,154	108,818	113,154	100,177
Amortisation of non-current assets				
— Leasehold improvements	25,969	10,377	25,969	10,377
Bad and doubtful debts:				
— Trade debtors	8,803	1,746	8,803	1,746
Total bad and doubtful debts	8,803	1,746	8,803	1,746
Rental expense from operating leases	70,600	65,000	70,600	65,000
b. Significant Revenue and Expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Revenue:				
AFL Special distribution	1,400,000	1,400,000	1,400,000	1,400,000
Expenses:				
Provision for loans guaranteed	150,000	150,000	150,000	150,000
Write-down of merchandise stock	75,000	-	75,000	-

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
a. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	39,558	(84,119)	39,558	(84,119)
Add / (less) tax effect of:				
— non-deductible expenses	2,005	10,615	2,005	10,615
— provision for loan guarantee	45,000	45,000	45,000	45,000
— tax losses not brought to account	-	28,504	-	28,504
— tax losses utilised	86,563	-	86,563	-
Income tax attributable to entity	-	-	-	-

b. Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

Temporary differences	140,603	102,056	140,603	102,056
Tax losses - operating	1,776,910	1,940,559	1,776,910	1,940,559
Tax losses - capital	321,744	321,744	321,744	321,744
	2,239,257	2,364,359	2,239,257	2,364,359

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

	2007	2006
	\$	\$
The key management personnel compensation included in 'employee expenses' are as follows:		
Short-term benefits	842,870	708,164
Post employment benefits	62,142	70,437
	<u>905,012</u>	<u>778,601</u>

No directors or shareholders received compensation

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	22,000	25,500	22,000	25,500
— other services – 2007 Player Payments audit (AFL Requirement)	8,000	8,292	8,000	8,292
	<u>30,000</u>	<u>33,792</u>	<u>30,000</u>	<u>33,792</u>

William Buck was appointed on 28 February 2007 as auditor of the North Melbourne Football Club Ltd and controlled entity.

NOTE 7: CASH AND CASH EQUIVALENTS

CURRENT

Cash at bank and in hand	76,434	290,908	66,983	279,178
Deposits at call	660,429	-	660,429	-
	<u>736,863</u>	<u>290,908</u>	<u>727,412</u>	<u>279,178</u>

The effective interest rate on short-term bank deposits was 6.3% (2006: 5.0%).

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	736,863	290,908	727,413	290,908
Bank overdrafts	(80,566)	-	(80,566)	-
	<u>656,297</u>	<u>290,908</u>	<u>646,847</u>	<u>290,908</u>

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Trade receivables	917,644	467,841	917,644	467,841
Provision for impairment of receivables	(50,800)	-	(50,800)	-
	866,844	467,841	866,844	467,841
Other debtors	224,049	331,231	25,760	319,362
Amounts receivable from:				
— Controlled entity	-	-	207,740	-
— Associated entity	47,457	14,427	47,457	14,427
	1,138,350	813,499	1,147,801	801,630

NOTE 9: INVENTORIES

CURRENT

Finished goods merchandise, at cost	116,896	377,375	116,896	377,375
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NOTE 10: OTHER ASSETS

CURRENT

Prepayments	740,292	757,291	740,292	343,023
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NOTE 11: CONTROLLED ENTITY

	Country of Incorporation	Percentage Owned (%)	
		2007	2006
Parent entity:			
North Melbourne Football Club Limited	Australia	-	-
Controlled entity of North Melbourne Football Club Limited:			
North Melbourne Kangaroos Limited*	Australia	-	-

* North Melbourne Kangaroos Limited has no share capital and is limited by guarantee. However, the entity is effectively controlled by the North Melbourne Football Club Limited. It is intended that North Melbourne Kangaroos Ltd will be wound up in the 2008 financial year.

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 12: FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Financial assets comprise:				
Unlisted investments, at cost				
— shares in associated entity	62,500	62,500	62,500	62,500
Total assets	62,500	62,500	62,500	62,500

NOTE 13: ASSOCIATED ENTITY

Interests are held in the following associated entity

Name	Principal Activity	Country of Incorporation	Share	Ownership Interest*	
				2007	2006
				%	%
Kanga Travel Pty Limited (a)	Trustee for Kanga Unit Trust	Australia		50	50
Kanga Travel Unit Trust (b)	Travel Agent	Australia		50	50

* Percentage of voting power in proportion to ownership

(a) Kanga Travel Pty Limited does not trade and acts only as trustee for Kanga Travel Unit Trust

(b) Kanga Travel Unit Trust's principal activities are travel agency

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 13: ASSOCIATED ENTITY

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
a. Movements During the Year in Equity Accounted Investments in Associated Trust					
Balance at beginning of the financial year		62,500	62,500	62,500	62,500
Add: Share of associated trust's profit after income tax	12b	47,457	14,427	47,457	14,427
Share of associated trust's reserve increments arising during the year		-	-	-	-
Less: Distribution revenue from associated trust		47,457	14,427	47,457	14,427
Balance at end of the financial year		62,500	62,500	62,500	62,500
b. Equity Accounted Associate Profits are Broken Down as follows:					
Share of associate's profit before income tax expense		47,457	14,427	47,457	14,427
Share of associate's income tax expense		-	-	-	-
Share of associate's profit after income tax		47,457	14,427	47,457	14,427
c. Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates					
Current assets		297,409	226,120	297,409	226,120
Non-current assets		3,827	5,960	3,827	5,960
Total assets		301,236	232,080	301,236	232,080
Current liabilities		251,235	182,079	251,235	182,079
Non-current liabilities		-	-	-	-
Total liabilities		251,235	182,079	251,235	182,079
Net assets		50,001	50,001	50,001	50,001
Revenues		433,182	435,663	433,182	435,663
Profit after income tax of associates		94,914	28,854	94,914	28,854

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
LEASEHOLD IMPROVEMENTS				
Leasehold improvements:				
At cost	260,487	147,379	260,487	147,379
Accumulated depreciation	(95,302)	(69,333)	(95,302)	(69,333)
Total leasehold improvements	165,185	78,046	165,185	78,046

PLANT AND EQUIPMENT

Plant and equipment:				
At cost	947,654	901,703	877,159	901,703
Accumulated depreciation	(666,100)	(552,946)	(595,605)	(552,946)
Total plant and equipment	281,554	348,757	281,554	348,757
Total property, plant and equipment	446,739	426,803	446,739	426,803

	Leasehold Improvements	Plant and Equipment	Total
	\$	\$	\$
a. Movements in Carrying Amounts			
Movement in the carrying amounts for each class of property, plant and equipment			
Consolidated Group:			
Balance at 1 November 2005	81,036	322,139	403,175
Additions	7,387	174,356	181,743
Disposals	-	(38,920)	(38,920)
Depreciation expense	(10,377)	(108,818)	(119,195)
Balance at 31 October 2006	78,046	348,757	426,803
Additions	113,108	45,951	159,059
Disposals	-	-	-
Depreciation expense	(25,969)	(113,154)	(139,123)
Carrying amount at 31 October 2007	165,185	281,554	446,739

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	942,162	719,033	942,162	669,128
Sundry payables and accrued expenses	1,411,261	1,162,332	1,411,261	478,577
Amounts payable to:				
— controlled entity	-	-	-	619,821
	2,353,423	1,881,365	2,353,423	1,767,526

NOTE 16: FINANCIAL LIABILITIES

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT					
Bank overdraft		80,566	-	80,566	-
Commercial bill secured	16a	4,250,000	4,200,000	4,250,000	4,200,000
Hire purchase liability	20	7,077	18,400	7,077	18,400
		4,337,643	4,218,400	4,337,643	4,218,400
NON-CURRENT					
Commercial bill secured	16a	-	250,000	-	250,000
Hire purchase liability	20	-	5,661	-	5,661
		-	255,661	-	255,661

- a. The bank facilities are secured by a registered mortgage debenture over all assets and uncalled capital of the parent entity, its controlled entity, North Melbourne Kangaroos Limited, and a related party, North Melbourne Football Club Social Club Limited, a specific fixed mortgage debenture charge from North Melbourne Football Club Limited and North Melbourne Kangaroos Limited, and a Limited guarantee from the Australian Football League.

Interest rates on borrowings are variable and were set at 7.65% as at the balance sheet date.

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 17: PROVISIONS

	Employee Benefits	NMFCSC Loan Guaranteed	Total
	\$	\$	\$
Consolidated Group			
Opening balance at 1 November 2006	268,523	625,000	893,523
Additional provisions raised during the year	566,772	150,000	716,772
Amounts used	(518,572)	-	(518,572)
Balance at 31 October 2007	316,723	775,000	1,091,723
Parent Entity			
Opening balance at 1 November 2006	-	625,000	625,000
Additional provisions raised during the year and transfers from related entity	365,743	150,000	515,743
Amounts used	(49,020)	-	(49,020)
Balance at 31 October 2007	316,723	775,000	1,091,723

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
Analysis of Total Provisions				
Current	294,715	248,192	294,715	-
Non-current	797,008	645,331	797,008	625,000
	1,091,723	893,523	1,091,723	625,000

Provision for Long-term Employee Benefits

Refer to note 1(j) for the relevant accounting policy.

NOTE 18: OTHER LIABILITIES

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Unearned Revenue	187,509	339,918	187,509	284,413
	187,509	339,918	187,509	284,413

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 19: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
4,065,450 (2006: 4,065,450) fully paid "A" class shares	3,569,350	3,569,350	3,569,350	3,569,350
60,000 (2006: 60,000) fully paid "B" class shares	60,000	60,000	60,000	60,000
	<u>3,629,350</u>	<u>3,629,350</u>	<u>3,629,350</u>	<u>3,629,350</u>

a.	Fully paid A class shares	No.	No.	No.	No.
	At the beginning of reporting period	4,065,450	4,065,450	4,065,450	4,065,450
	Shares issued during year	-	-	-	-
	At reporting date	<u>4,065,450</u>	<u>4,065,450</u>	<u>4,065,450</u>	<u>4,065,450</u>

Shareholders are only entitled to receive their contributed equity on the winding up of the parent entity.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

NOTE 19: ISSUED CAPITAL

		Consolidated Group		Parent Entity	
		2007	2006	2007	2006
b.	Fully paid B class shares	No.	No.	No.	No.
	At the beginning of reporting period	60,000	60,000	60,000	60,000
	Shares issued during year	-	-	-	-
	At reporting date	60,000	60,000	60,000	60,000

Shareholders are only entitled to receive their contributed equity on the winding up of the parent entity.

At the shareholders' meetings each ordinary share is entitled to 75 votes when a poll is called, otherwise each shareholder has 75 votes on a show of hands

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
a. Hire Purchase Commitments					
Payable — minimum hire purchase payments					
— not later than 12 months		7,077	18,554	7,077	18,554
— between 12 months and five years		-	6,172	-	6,172
— greater than five years		-	-	-	-
Minimum lease payments		7,077	24,726	7,077	24,726
Less future finance charges		-	(665)	-	(665)
Present value of minimum lease payments	16	7,077	24,061	7,077	24,061

The implicit rate of interest on hire purchase agreements was 7% (2006: 7%).

b. Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
— not later than 12 months		65,000	65,000	65,000	65,000
— between 12 months and five years		260,000	260,000	260,000	260,000
— greater than five years		-	65,000	-	65,000
		325,000	390,000	325,000	390,000

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the CPI per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years. The lease allows for subletting of all lease areas.

North Melbourne Football Club Limited
ACN 006 468 962 and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 20: CAPITAL AND LEASING COMMITMENTS (CONT.)

c. **Remuneration Commitments**

The Company negotiates individual contracts of varying length and terms for each of its football players and coaching staff. Certain players are entitled to receive base payments regardless of their level of performance or number of games played, as well as entitlements should player employer contracts be terminated before expiry. Other players and coaching staff are entitled to performance related payments. As contract terms in this regard vary considerably, with some future payments being dependent upon number of matches played, level of performance, whether players remain on approved lists and whether contracts are terminated early, it is not practical to estimate the total future commitments or contingencies under player and coaching contracts.

However, at balance sheet date, base contractual commitments are payable as follows:

— not later than 12 months	6,852,540	3,988,333	6,852,540	3,666,000
— between 12 months and five years	2,745,000	1,905,150	2,745,000	1,905,150
— greater than five years	-	-	-	-
	9,597,540	5,893,483	9,597,540	5,571,150

NOTE 21: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Asset

Waverley Park Proceeds

Following the sale of Waverley Park, the Australian Football League has advised the company that it will distribute \$2 million from the sale proceeds over the period 30 October 2002 to 30 October 2008. On 15 October 2007 the Company received \$250,000 being the sixth instalment of its entitlement. This amount has been treated as revenue in the 2007 year. The balance receivable of \$250,000 has not been brought to account due for the receipt of the sales proceeds in future years being subject to conditions, the Company will account for the distributions on a cash received basis. Based upon information provided the remaining funds are expected to be received as follows:

Date Payable	Amount
30 October 2008	250,000

Contingent Liability

Related Party Guarantees Provided by the Parent Entity

A related party of the economic entity, the North Melbourne Football Club Social Club Limited (NMFCSCL) has received loan funds from a third party of \$1,500,000 as part of an agreement to operate gaming machines at the Telstra Dome. The loan is to be repaid by NMFCSCL out of future profits. If the loan has not been repaid by the NMFCSCL within ten years, the economic entity has guaranteed to repay the balance outstanding of the loan. At the balance sheet date the amount of the loan outstanding was \$1,500,000 (2006: \$1,500,000). As a conservative measure the directors have adopted a policy of providing for this payment to become due and payable and in the current year have brought to account a provision of \$150,000 (2006: \$150,000). This policy will be reviewed on an annual basis. The amount of the contingent liability not brought to account at balance sheet date is \$725,000.

NOTE 22: SEGMENT REPORTING

The consolidated group operates in the sporting industry and all operations are within Australia.

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 23: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
a. Reconciliation of Cash Flow from Operations with Profit/ (Loss) after Income Tax				
Profit / (loss) after income tax	131,833	(280,398)	131,833	(280,398)
Non-cash flows in profit				
Depreciation	113,154	108,817	113,154	100,177
Amortisation	25,969	10,377	25,969	10,377
Bad debts written off	50,800		50,800	
Plant and equipment written off	-	38,920	-	38,920
Provision for loan guaranteed	150,000	150,000	150,000	150,000
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term debtors	(375,652)	(60,496)	(189,231)	(131,196)
(Increase)/decrease in other current assets	16,999	(162,529)	(397,269)	21,739
(Increase)/decrease in inventories	260,479	(248,731)	260,479	(248,731)
Increase/(decrease) in payables	472,058	(887,692)	1,205,718	(339,383)
Increase/(decrease) in provisions	48,200	(108,811)	316,723	(25,000)
Increase/(decrease) in other liabilities	(152,409)	(370,681)	(96,904)	(426,186)
	<u>741,431</u>	<u>(1,811,224)</u>	<u>1,571,272</u>	<u>(1,129,681)</u>

b. Non-cash Financing and Investing Activities

Property, plant and equipment:

During the financial year, the consolidated group acquired plant and equipment with an aggregate fair value of \$0 (2006: \$0) by means of hire purchase agreements. These acquisitions are not reflected in the cash flow statement.

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

Note 23: CASH FLOW INFORMATION (CONT.)

c. **Credit Standby Arrangement
and Loan Facilities**

Bank Overdraft	250,000	250,000	250,000	250,000
Amount utilised	(63,666)	-	(63,666)	-
Unused overdraft facilities	186,334	250,000	186,334	250,000
Commercial Bill Facilities	5,000,000	4,900,000	5,000,000	4,900,000
Amount utilised	(4,250,000)	(4,450,000)	(4,250,000)	(4,450,000)
Unused commercial bill facilities	750,000	450,000	750,000	450,000

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 24: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated				
Transactions with related parties				
a. Provision for guaranteed loan	150,000	150,000	150,000	150,000
b. Travel purchases from Kanga Travel Unit Trust	116,828	51,107	116,828	51,107

Director related transactions

Catering services were provided by Customised Catering and Events Pty Limited, a company controlled by Mr Robert Smith. Total fees paid were \$nil (2006: \$1,425).

Catering services were provided by Michael O'Brien Catering Pty Limited, a company controlled by Mr Michael O'Brien. Total fees paid were \$933 (2006: \$nil).

Global Red Pty Limited, a company contracted to run the 'Tour de Kangaroo' fundraising event on behalf of the economic entity paid a fee of \$nil (2006: \$33,000) to Dr Allen Aylett OBE for assistance provided in procuring participants and promoting the event.

The economic entity paid BCA IT Limited, a company controlled by Mr Andrew Carter, \$nil (2006: \$1,809) for the purchase of computer hardware.

During the year a number of directors of the economic entity purchased club membership packages, merchandise, finals tickets, attended club functions, made donations and contributed towards fundraising activities. The terms and conditions of the transactions with the directors and their director related entity were on terms no more favourable than other supporters and sponsors. Amounts unpaid at the balance sheet date are included in receivables. No interest is payable on amounts outstanding at the balance sheet date.

NOTE 25: EVENTS SUBSEQUENT TO BALANCE DATE

The company confirmed its intention to remain a Melbourne-based club, rejecting the AFL's proposal to relocate to the Gold Coast.

James Brayshaw was appointed Chairman on 6 December 2007 and has announced new directors who will be appointed to the board of directors.

Chief Executive Officer Rick Aylett resigned on 11 December 2007. In the interim, Aylett will remain with the club during a transitional period of recruitment and appointment of a new CEO.

NOTE 26: ECONOMIC DEPENDENCE

A significant portion of the income of the consolidated entity is derived from the holding of a licence issued by the Australian Football League.

North Melbourne Football Club Limited

ACN 006 468 962 and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 27: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bills and hire purchase contracts.

i. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 31 October 2007 approximately 100% of group debt is fixed. For further details on interest rate risk refer to Note 27(b).

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group. The economic entity minimises concentration of credit risk by undertaking transactions with a number of customers.

b. Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

NOTE 27: FINANCIAL INSTRUMENTS

	Fixed Interest Rate Maturing											
	Weighted		Floating Interest		Within 1 Year		1 to 5 Years		Non-interest		Total	
	Average		Rate						Bearing			
	Effective Interest		Rate									
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:												
Cash and cash equivalents	6	5	656	288	-	-	-	-	-	3	656	291
Receivables	-	-	-	-	-	-	-	-	792	813	792	813
Investments	-	-	-	-	-	-	-	-	63	63	63	63
Total Financial Assets			656	288	-	-	-	-	855	879	1,511	1,167

North Melbourne Football Club Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

NOTE 27: FINANCIAL INSTRUMENTS

	Fixed Interest Rate Maturing											
	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 Years		Non-interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities:												
Bank bills secured	9	9	-	-	4,250	4,200	-	250	-	-	4,250	4,450
Trade and other payables	-	-	-	-	-	-	-	-	2,024	1,881	2,024	1,881
Hire purchase Liabilities	7	7	-	-	7	18	-	6	-	-	7	24
Total Financial Liabilities					4,257	4,218		256	2,024	1,881	6,281	6,355

c. Net Fair Values

The net fair value of financial assets and financial liabilities is the carrying value in the financial statements. Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position.

	2007		2006	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial assets				
Unlisted investments at cost – associated entity	62,500	62,500	62,500	62,500
Loans and receivables	791,873	791,873	813,499	813,499
	854,373	854,373	875,999	875,999
Financial liabilities				
Bank bills secured	4,250,000	4,250,000	4,450,000	4,450,000
Trade and other payables	2,024,403	2,024,403	1,881,365	1,881,365
Hire purchase liabilities	7,077	7,077	24,061	24,061
	6,281,480	6,281,480	6,355,426	6,355,426

NOTE 28: COMPANY INFORMATION

The registered office and principal place of business of the company is:

Fogarty Street
North Melbourne
Victoria 3051

INDEPENDENT AUDITOR'S REPORT

To the members of North Melbourne Football Club Limited

Report on the Financial Report

We have audited the accompanying financial report of North Melbourne Football Club Limited, which comprises the balance sheet as at 31 October 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

North Melbourne Football Club Limited
ACN 006 468 962 and Controlled Entity

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on page 8 to 35, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 October 2007 and of the performance for the year ended on that date of the company and consolidated group.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



James Brayshaw
Chairman



John Magowan
Director

Dated this 21st day of December 2007

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of North Melbourne Football Club Limited for the year ended 31 October 2007 included on the North Melbourne Football Club Limited's website. The company's Directors are responsible for the integrity of North Melbourne Football Club Limited's website. We have not been engaged to report on the integrity of North Melbourne Football Club Limited's website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to / from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

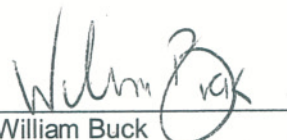
Auditor's Opinion

In our opinion:

- a) the financial report of North Melbourne Football Club Limited is in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company and consolidated entity's financial position as at 31 October 2007 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) the financial report complies with International Financial Reporting Standards as disclosed in Note 1.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(c), there is significant uncertainty whether North Melbourne Football Club Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.


William Buck
Chartered Accountants


Brad Taylor
Partner

Dated this 21st day of December 2007.

Melbourne, Australia.